Consolidated Financial Results for the First Three Quarters of the Fiscal Year Ending March 31, 2023

(April 1, 2022 through December 31, 2022)
(Prepared pursuant to Japanese GAAP)

All financial information has been prepared in accord with accounting principles generally accepted in Japan.
This is a partial English translation of the original Japanese-language document. All information pertains to consolidated results unless otherwise noted. Information on the basis of presentation of consolidated financial statements does not appear in this translation.

February 3, 2023

Company name:	TIS Inc.
Stock exchange listings:	Tokyo Stock Exchange, Prime Market
Stock code:	3626
URL:	https://www.tis.com/
Representative:	Yasushi Okamoto, President
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Scheduled dates
Submission of quarterly report: February 13, 2023
Commencement of dividend payments: -

Supplementary materials to the quarterly results: Available
Quarterly results presentation held: Yes (targeted at institutional investors and analysts)

Figures in millions of yen are rounded down to the nearest million

1. Consolidated Results for the First Three Quarters of the Fiscal Year Ending March 31, 2023 (April 1, 2022 – December 31, 2022)

(1) Consolidated Financial Results

Percentages indicate year-over-year changes

	Net sales		Operating income		Recurring profit		Net income attributable to owners of the parent company	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
First Three Qtrs., FY2023	370,382	4.9	44,444	16.2	45,470	17.1	32,158	9.3
First Three Qtrs., FY2022	353,133	11.0	38,258	27.2	38,830	41.0	29,414	62.3

Note: Comprehensive income: First Three Qtrs., FY2023: 29,879 million yen (-33.7%); First Three Qtrs., FY2022: 45,093 million yen (84.6%)

	Net income per share – basic	Net income per share – diluted
	yen	yen
First Three Qtrs., FY2023	131.28	-
First Three Qtrs., FY2022	117.46	-

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	millions of yen	millions of yen	%
End of Third Quarter, FY2023	434,074	291,233	64.7
End of FY2022	476,642	302,993	61.5

For reference: Total equity: End of Third Quarter, FY2023: 280,863 million yen End of FY2022: 293,125 million yen
*Total equity = Shareholders' equity plus total accumulated other comprehensive income

2. Cash Dividends for Shareholders of Common Stock

Record date or period	Cash dividends per share				
	End-Q1	End-Q2	End-Q3	Year-end	Total
	yen	yen	yen	yen	yen
FY2022	-	13.00	-	31.00	44.00
FY2023	-	15.00	-		
FY2023 (forecast)				32.00	47.00

Note: Revisions from the latest release of dividends forecasts: None

3. Forecast of Consolidated Results for FY2023 (April 1, 2022 – March 31, 2023)

Percentages indicate year-over-year changes

	Net sales		Operating income		Recurring profit		Net income attributable to owners of the parent company		Net income per share – basic
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Full FY2023 (year ending Mar. 31, 2023)	505,000	4.7	59,000	7.8	60,500	8.6	52,000	31.8	213.50

Note: Revisions from the latest release of earnings forecasts: Yes

※ Notes

(1) Material reclassifications of subsidiaries during the period: None
(Changes in specified subsidiaries resulting in change in scope of consolidation)
Additions: None Exclusions: None

(2) Accounting methods specific to quarterly consolidated financial statements: None

(3) Changes in accounting policy, changes in accounting estimates, and retrospective restatement
1) Changes in accordance with amendments to accounting standards, etc.: Yes
2) Changes other than noted in 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(4) Common stock issued
1) Issued shares as of period-end (including treasury stock):
End-Third Quarter, FY2023 (December 31, 2022): 251,160,894 shares
End-FY2022 (March 31, 2022): 251,160,894 shares
2) Treasury stock as of period-end:
End-Third Quarter, FY2023 (December 31, 2022): 9,235,147 shares
End-FY2022 (March 31, 2022): 1,394,103 shares
3) Average number of shares (during the respective nine-month period):
First Three Qtrs., FY2023 (ended December 31, 2022): 244,952,271 shares
First Three Qtrs., FY2022 (ended December 31, 2021): 250,419,534 shares
Note: Treasury stock includes the number of the Company's own shares held by TIS INTEC Group Employees' Shareholding Association Trust and the Board Incentive Plan (BIP) Trust.

Quarterly review status
These materials are not subject to the quarterly review procedures to be conducted by certified public accountants or an audit firm.

Caution on Forward-Looking Statements and Other Important Matters
At a Board of Directors' Meeting held on May 11, 2022, TIS Inc. (TIS) resolved to acquire its own (treasury) shares in accordance with Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of said Act. Accordingly, "Net income per share – basic" in the Forecast of Consolidated Results for FY2023 has been presented taking into account the effect of this acquisition of treasury shares.

This report contains forward-looking statements that reflect TIS's plans and expectations based on information available to TIS at the time of preparation and on certain other information TIS believes to be reasonable. These forward-looking statements are not guarantees of future performance, and actual results, performance, achievements or financial position may differ materially from those expressed or implied herein due to a range of factors.

For the assumptions underlying the forecasts herein and other notice on the use of earnings forecasts, refer to "(3) Consolidated Earnings Forecast and Caution on Forward-Looking Statements" in the "1. Results of Operations" section on page 11 in the Accompanying Materials.

Accompanying Materials – Contents

1. Results of Operations

(1) Analysis of Consolidated Operating Results

In the first nine months of fiscal 2023 (April 1, 2022 – December 31, 2022), while living with COVID-19, there were signs of a pickup in the Japanese economy, due in part to the effects of various policies. Looking ahead, it will be necessary to watch carefully for the risk of downward pressure on Japan's economy due to the effects of a downturn in overseas economies, rising prices, supply-side constraints, and fluctuations in financial and capital markets amid worldwide monetary tightening, and other factors.

The IT services industry, to which the TIS INTEC Group ("the Group") belongs, is expected to see further increases in IT investment demand as the transformation of business processes and business models utilizing digital technologies progresses globally. This is demonstrated by factors such as the Bank of Japan's quarterly Short-term Economic Survey of Enterprises in Japan (December 2022), which showed a 20.3% year-on-year increase in company software investment plans (all industries including financial institutions).

In this environment, in accordance with its medium-term management plan (2021-2023) currently being implemented for further growth in achieving "Group Vision 2026", the Group is continuing to work to accelerate business restructuring with enhancing provided digital transformation value as the keystone.

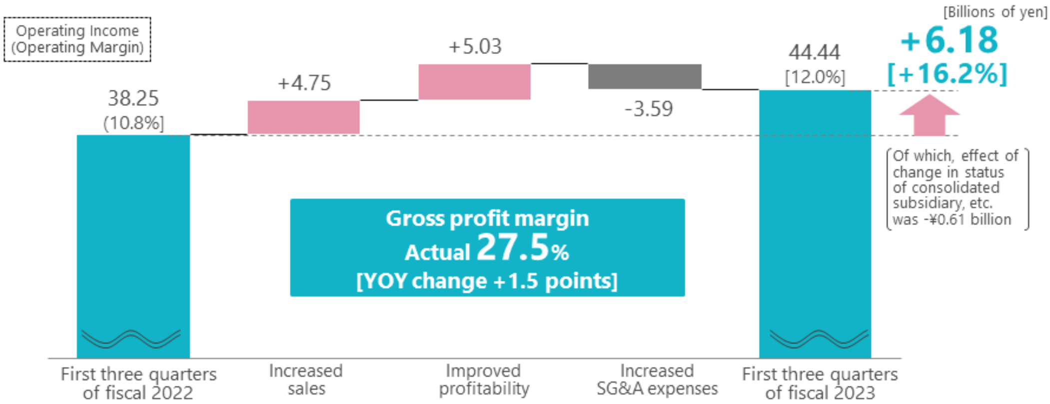
Consolidated net sales for the Group in the first nine months of fiscal 2023 rose 4.9% year-on-year to ¥370,382 million. Operating income rose 16.2% to ¥44,444 million, recurring profit rose 17.1% to ¥45,470 million, and net income attributable to owners of the parent company rose 9.3% to ¥32,158 million.

(Unit: millions of yen)

	First Nine Months, FY2022 (Apr. 1 – Dec. 31, 2021)	First Nine Months, FY2023 (Apr. 1 – Dec. 31, 2022)	Year-on-year changes
Net sales	353,133	370,382	+4.9%
Cost of sales	261,184	268,650	+2.9%
Gross profit	91,948	101,732	+10.6%
Gross profit ratio	26.00%	27.50%	+1.5P
Selling, general and administrative expenses	53,690	57,287	+6.7%
Operating income	38,258	44,444	+16.2%
Operating income ratio	10.80%	12.00%	+1.2P
Recurring profit	38,830	45,470	+17.1%
Net income attributable to owners of the parent company	29,414	32,158	+9.3%

Net sales were higher than in the same period of the previous year as a result of meeting the demand for IT investment, such as customers' demand for digital transformation. As for operating income, gross profit ratio rose 1.5 percentage points to 27.5% over the previous year's level due to factors such as the provision of high value-added businesses and the promotion of productivity and quality improvement measures, in addition to the increase in income due to higher revenue. This offset the increase in selling, general and administrative expenses, which were mainly due to investments such as anticipatory investments to promote structural transformation and investments that will contribute to future growth. As a result, operating income was higher and the operating income ratio increased 1.2 percentage points year-on-year to 12.0%. The improvement in non-operating income in addition to the increase in recurring profit and net income attributable to owners of the parent company reflect the growth in operating income.

<Analysis of the increase/decrease in key factors of operating income (YOY change)>



Prior investment costs for promoting structural transformation: Up ¥1.08 billion (YOY change)
(Cost of sales: +¥0.59 billion, SG&A expenses: +¥0.48 billion)
Software investment / Investment in human resources / Investment in R&D
\+
Cost of investment in human resources (additional): Up ¥2.34 billion (YOY change)
(Cost of sales : +¥1.03 billion, SG&A expenses : +¥1.30 billion)

Cost of office reform to promote new workstyles: Down ¥0.89 billion (YOY change)
(Cost of sales : -¥0.25 billion, SG&A expenses : -¥0.63 billion)

Changes in SG&A Expenses

Effect of change in status of consolidated subsidiary, etc.	-0.06
Office reform	-0.63
Prior investment (includes enhanced employee benefits)	+1.79
Lower operating costs, enhanced head office functions	-0.13
Others (Brand-related costs)	+2.63
Total	+3.59

Segment results for the period are as follows. In line with the change in the Group-wide management structure to promote further structural transformation, the Group has changed its segment classifications effective from the first quarter of fiscal 2023. Net sales for each segment include inter-segment net sales, and year-on-year comparisons (figures) are derived by reclassifying figures for the same period of the previous year into the new segments after the change.

(Unit: millions of yen)

		First Nine Months, FY2022 (Apr. 1 – Dec. 31, 2021)	First Nine Months, FY2023 (Apr. 1 – Dec. 31, 2022)	Year-on-year changes
Offering Service Business	Net sales	74,917	81,516	+8.8%
	Operating income	3,443	4,499	+30.6%
	Operating income ratio	4.6%	5.5%	+0.9P
Business Process Management	Net sales	32,040	32,223	+0.6%
	Operating income	3,555	3,644	+2.5%
	Operating income ratio	11.1%	11.3%	+0.2P
Financial IT Business	Net sales	67,839	74,079	+9.2%
	Operating income	9,131	9,907	+8.5%
	Operating income ratio	13.5%	13.4%	-0.1P
Industrial IT Business	Net sales	78,863	82,621	+4.8%
	Operating income	10,520	12,124	+15.3%
	Operating income ratio	13.3%	14.7%	+1.4P
Regional IT Solutions	Net sales	114,475	115,422	+0.8%
	Operating income	11,066	13,569	+22.6%
	Operating income ratio	9.7%	11.8%	+2.1P
Other	Net sales	4,832	6,565	+35.9%
	Operating income	598	643	+7.5%
	Operating income ratio	12.4%	9.8%	-2.6P

1) Offering Service Business

Configures services through own investment based on best practices the Group accumulated and provides knowledge-intensive IT services.

Segment net sales in the first nine months of fiscal 2023 totaled ¥81,516 million, up 8.8% year-on-year, and operating income increased 30.6% to ¥4,499 million. In addition to capturing demand for IT investments in areas such as settlement solutions and platforms, growth of overseas sales, improved profitability, and other factors meant a year-on-year increase in both sales and profits, with the operating income ratio increasing 0.9 percentage points year-on-year to 5.5%

2) Business Process Management

Addresses issues related to business processes with IT technology, business know-how and skilled human resources to provide more sophisticated, more efficient outsourcing services.

Segment net sales in the first nine months of fiscal 2023 totaled ¥32,223 million, up 0.6% year-on-year, and operating income increased 2.5% to ¥3,644 million. While data entry operations were sluggish, steady sales and profits were achieved against the backdrop of growing digitalization needs, which led to an increase in both sales and profits year-on-year, and pushed up the segment’s operating income ratio to 11.3%, a year-on-year improvement of 0.2 percentage points.

3) Financial IT Business

Considers business and IT strategies together and leverages both, and supports business progress using expert business and operating know-how specific to the finance industry.

Segment net sales in the first nine months of fiscal 2023 totaled ¥74,079 million, up 9.2% year-on-year, and operating income increased 8.5% to ¥9,907 million. Expansion of IT investment by credit card companies and other core clients led to an increase in both sales and profits year-on-year. The operating income ratio was 13.4%, down 0.1 % percentage points year-on-year, due to the impact of promotion of measures such as the strengthening of the business structure.

4) Industrial IT Business

Considers business and IT strategies together and leverages both, and supports business progress using expert business and operating know-how specific to industry sectors other than finance.

Segment net sales in the first nine months of fiscal 2023 totaled ¥82,621 million, up 4.8% year-on-year, and operating income increased 15.3% to ¥12,124 million. In addition to the trend of expanding IT investments, mainly by manufacturing and energy-related sectors core clients, profitability and quality improvements, including through promotion of productivity improvement measures, resulted in a year-on-year increase in sales and profit, and the operating income ratio increased 1.4 percentage points to 14.7%.

5) Regional IT Solutions

Provides IT professional services extensively, across regions and client sites, and collects and develops this know-how as the source of solutions to support efforts to address issues and promote business activities.

Segment net sales in the first nine months of fiscal 2023 totaled ¥115,422 million, up 0.8% year-on-year, and operating income increased 22.6% to ¥13,569 million. The promotion of business activities emphasizing profitability along with the trend toward increased IT investment, primarily by banks and government agencies, helped to offset the exclusion of a company (Chuo System Corporation) whose shares were transferred outside of the group during the previous fiscal year, resulting in an increase in sales and profit year-on-year and the operating income ratio increased 2.1 percentage points to 11.8%.

6) Other

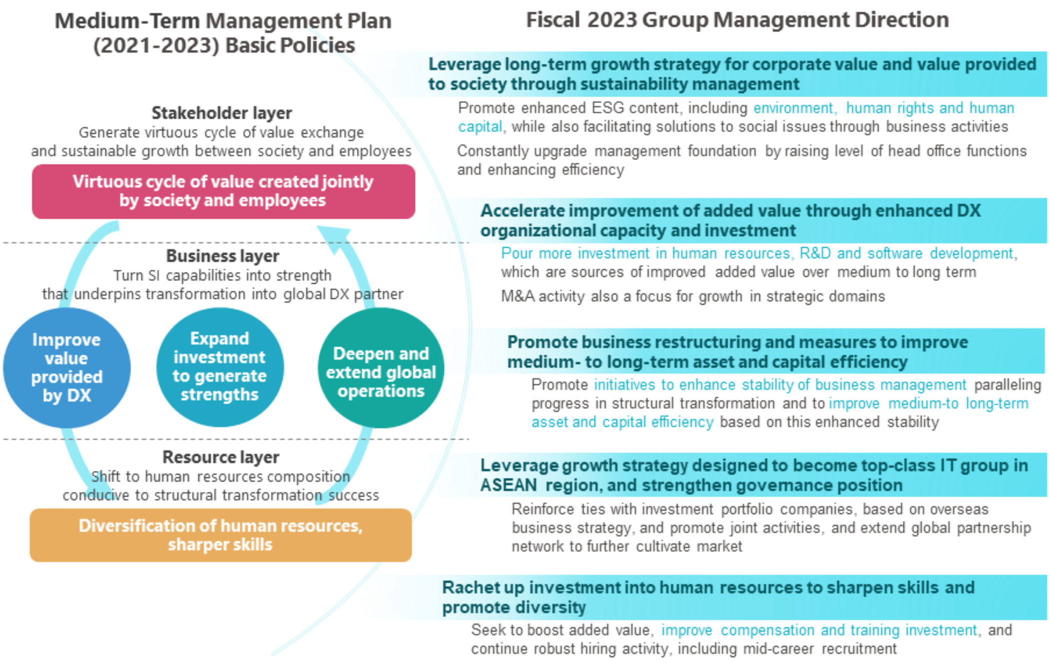
Consists of ancillary businesses offering IT services, and other activities.

Segment net sales in the first nine months of fiscal 2023 totaled ¥6,565 million, up 35.9% year-on-year, operating income was up 7.5% to ¥643 million, and the segment's operating income ratio was 9.8%, down 2.6 percentage points. This was mainly due to the absorption-type split of the Group's shared services business from the Company to TIS Business Service Inc., effective April 1, 2022.

As noted above, the Group has been implementing its medium-term management plan (2021-2023) since the previous fiscal year as a second step towards realizing its "Group Vision 2026". Under the slogan of "Be a Digital Mover 2023", the Group is continuing to increasingly focusing on Strategic Domains* and is working to accelerate business restructuring, with enhancing provided digital transformation value as the keystone.

*Note: "Strategic Domains" are the four business domains designated to be built into the core businesses of the Group by 2026, as set forth in Group Vision 2026.

In fiscal 2023, the second year of the medium-term management plan (2021-2023), the Group will energetically implement various measures in line with the following Group management policies.



The status of issues and initiatives in the Group management policies are presented below.

1) Leverage long-term growth strategy for corporate value and value provided to society through sustainability management

The Company will continue to promote the resolution of social issues through its business operations, as well as the advancement of ESG such as the environment, human rights, and human capital, and the development of its management foundation through the sophistication and efficiency of its head office functions.

In accordance with the Basic Direction on Corporate Sustainability, the Group continues to promote initiatives related to the high priority topics of the environment and human rights as urgent and important social issues. Of these initiatives, with regard to human rights issues, the Group carried out a human rights risk assessment in the previous fiscal year to identify potential human rights risks and make clear which countries, businesses, and rights holders (persons who may be negatively impacted by human rights) should be prioritized for future action. In response to this, during fiscal 2023, in addition to our own Company, we are taking steps to identify human rights risks stemming from labor problems at outsourced companies and equipment suppliers and to create a mechanism for redress, and to develop a system for the use of the Group's services for other purposes in a phased manner. Regarding environmental issues, the Company is working to reduce greenhouse gas emissions from its business activities in an effort to realize a decarbonized society, aiming to achieve carbon neutrality of the Group's own greenhouse gas emissions by fiscal 2040 and net zero greenhouse gas emissions for the entire value chain by fiscal 2050. In particular, in the operation of the Group's data centers, which consume the largest amount of electricity, we have decided to use electricity derived from renewable energy sources for all electricity used at our four main data centers starting in April 2023, and we are making preparations for this.

In addition, as part of the Group's contribution to regional communities, the Group has begun to utilize the corporate version of the "hometown tax" and has launched projects in cooperation with NPOs in three domains that cannot be covered by its business activities (activities that support future users, activities to promote digital technology's benefits, and activities to reduce the negative effects of digital technology in society).

Such steady progress in corporate sustainability initiatives has resulted in its selection as a component of the MSCI Japan ESG Select Leaders Index for the first time in June 2022.

As part of its efforts to improve the understanding of the Group's brand and its value, we have initiated our owned media, "TIS INTEC Group MAGAZINE". Under the main theme of the brand message, "Make society's wishes come true through IT.", the Group will introduce its specific initiatives and forward-looking plans to solve social issues in a variety of fields.

From the perspective of improving the management foundation by upgrading and increasing the efficiency of head office functions, the Company will expand the scope of the "G20 Head Office Function Upgrade Project" which it has been working on for some time. In addition, as part of our efforts to share and further upgrade indirect business activities, the Company is also promoting a shift to shared services and digital transformation of back-office operations for the whole group through a system centered on TIS Business Service Inc.

2) Accelerate improvement of added value through enhanced DX organizational capacity and investment

In addition to further strengthening investments in human resources, R&D, and software, which are the source of mid- to long-term added value growth, the Group will continue to promote M&A for the purpose of expanding its strategic domains.

As we further strengthen the front line, which is the point of contact with stakeholders, and since it is necessary to strengthen consulting functions in upstream areas such as strategic planning and issue formulation to promote digital transformation, especially for customers, the Group is continuing to enhance its collaboration with our consolidated subsidiary, Miotsukushi Analytics Co., Ltd., a consolidated subsidiary with strengths in data analysis and AI consulting. In September 2022, along with the acquisition of Fixel Inc., which is engaged in business system UI (Note 1)/UX (Note 2) design consulting for enterprises and design system construction & operation support for business firms, we established a dedicated digital transformation design team to assist our clients with product and service design, business problem identification, ideation, and concept development. With the addition of this company to the Group, the value provided by digital transformation will be strengthened by combining its excellent design consulting capabilities with the Company's customer support and system construction capabilities. Through these strategic allocations of management resources and human resource development, we will continue to focus on increasing the number of digital transformation consultants and expanding our value delivery system with respect to clients' digital transformation promotion.

In the payments domain, which is one of the Group's strengths, the "credit card processing service" (Note 3) went into service. In addition, we are developing our business in the overall settlement area, including digital accounts, mobile wallets, service coordination, security, and data utilization. In addition to this, in March 2022, ULTRA Inc. , a provider of international brand prepaid settlement services, became a consolidated subsidiary, and the Group is preparing to develop the “Embedded Finance” business, enabling integrated settlement functions in a single integrated manner by combining ULTRA’s front-end settlement functions and the Group’s expertise in conventional back-end function structuring of settlement functions. We will continue to contribute to the further popularization of cashless settlement services by expanding the service lineup and business scale of the entire "PAYCIERGE" total brand of retail settlement solutions in the payment area, which is expected to grow in step with the development of a cashless society.

Going forward, the Group will continue to focus on digital transformation in three domains, and will aim from an integrated perspective to create a virtuous cycle of new value by treating "social digital transformation" to realize a better society, "business digital transformation" to innovate our customers' businesses, and "internal digital transformation" to evolve the Group itself, as a single linkage that strongly influences each other.

Note 1: User interface A mechanism for input and display when a user interacts with a PC.

Note 2: User Experience A user experience gained from services, etc.

Note 3: A service that provides a total environment necessary for credit card issuing business activities. The company develops and provides highly original systems and card products that meet the current demands of the credit card industry, such as "sophisticated customer orientation", "flexibility for open innovation", and "high profitability”. Since it is a SaaS-type of provision format, the necessary functions and services can be used while controlling costs at the time of introduction.

3) Promote business restructuring and measures to improve medium- to long-term asset and capital efficiency

The Group intends to promote efforts to boost management stability in line with progress in structural transformation, and to improve assets and capital efficiency over the medium- to long-term based on such improvements.

With the aim of further improving the effectiveness of business management, we are introducing business management with increased attention toward capital costs, promoting group formation management, expanding business through M&As of domestic and overseas companies, and business portfolio restructuring. To promote further structural transformation and improve effectiveness, from fiscal 2023 the entire Group has adopted a management structure based on its business model, and the segment classifications were changed accordingly. In each segment, a segment owner will be assigned to clarify authority and responsibility, and promote the realization of growth strategies that leverage the strengths of each Group company.

Under these circumstances, in light of the transformation in the quality of management, including steady progress in structural transformation by concentrating management resources in strategic domains and the accompanying strengthening of the earnings base, etc. through profit growth and improved cash generation capabilities, etc., and as part of our efforts to optimize our capital structure, we completed a share buyback of a total of approximately ¥30 billion (8,223,000 shares), including approximately ¥5.5 billion to be returned to shareholders based on a total return ratio of 45%. Of this amount, the Company has decided to retire approximately ¥24.5 billion worth of treasury stock (6,715,483 shares, 2.7% of the total number of shares outstanding before retirement), which was acquired as part of the Company's efforts to optimize its capital structure, as planned, taking into consideration the Company's policy and the need to eliminate concerns about the future dilution of shares. On the other hand, from the perspective of shareholder returns, the Company plans to respond to the purchase of treasury stock (equivalent to approximately ¥5.5 billion) in accordance with the Company's policy on treasury stock holdings, which in principle limits the Company to holding up to 5% of the total number of shares outstanding and retiring any holdings exceeding 5% of total outstanding shares.

The Company is also striving to reduce its cross-shareholdings from the perspective of improving asset efficiency and financial strength. In order to achieve the target of reducing the ratio of balance sheet amount to consolidated net assets to the 10% level as soon as possible, the Company today (Feb 3, 2023) resolved to sell ¥17.8 billion in the fourth quarter of fiscal 2023. When combined with the ¥6.4 billion sold during the first nine months of fiscal 2023, the

Company plans for a full-year reduction of ¥24.2 billion from ¥54.3 billion at the end of the previous fiscal year. As a result, the Company will make significant progress toward the early realization of its goal of a 10% level of the ratio of the amount of cross-shareholdings to consolidated net assets on the balance sheet.

4) Leverage growth strategy designed to become top-class IT group in ASEAN region, and strengthen governance position

We intend to expand our global partnership network as well as further deepen our markets by strengthening relationships with investee companies, and developing joint ventures based on our business strategy.

As part of this effort, we are accelerating collaboration with PT Aino Indonesia ("AINO") of Indonesia, which became an equity-method affiliate in March 2022. AINO has already been recognized for its achievements in the joint development of "Acasia", a smartphone-based transportation payment package for Southeast Asia, and in joint case studies on MaaS (Mobility as a Service) as a next-generation transportation service. As a core company of the JATeL consortium (Note 1), AINO has contributed to JATel receiving the order for the first integrated transportation payment infrastructure "Jak-Lingko" (Note 2) project in Jakarta, Indonesia, and "Acasia" has been adopted as the back-end system of "Jak-Lingko". In June 2022, we added a MaaS service collaborating with Southeast Asia’s largest ride-hailing service, “Grab”, which is in a capital and business tie-up with the Company. In the future, in addition to the digitalization of Southeast Asia’s transportation settlements, we plan to expand our business domain into areas such as Park and Ride and data utilization.

In July 2022, the Company entered into a capital and business tie-up with HanKaiSi Intelligent Technology Co., Ltd. of China, which develops common chassis for self-driving EVs (electric vehicles). With the automotive industry undergoing a major transition with the shift to EVs and advances in automated driving technology, and at a time when software is becoming increasingly important, we aim to create new IT services in the areas of MaaS, smart cities, etc. through our partnership with the Company.

Furthermore, in order to better ensure the achievement of the “ASEAN top-class IT group”, we have added consulting as a new axis in addition to our existing channel technology to enhance our presence and capabilities as a global "consulting + IT” player. In November 2022, the Company entered into a capital and business tie-up with Vector Consulting Group (Vector Management Consulting Pvt. Ltd.), a major local management consulting firm in India, and in January 2023, Vector Consulting Group became an equity method affiliate. Amid the ongoing global convergence of consulting and technology, by leveraging Vector Consulting Group’s expertise in the domain of management consulting, the Group aims to realize high value-added IT services for the clients in India, Japan, the ASEAN region, and China.

Note 1: Joint venture formed by the four companies: PT Jatelindo Perkasa Abadi, AINO, Thales, and Lyko for the purpose of bidding on PT JAKARTA LINGKO INDONESIA's projects.

Note 2: Integrating the tariff systems of the four public transportation systems that exist in Jakarta, this service allows users to cross over from public transportation to Ride hailing (car dispatching service using an app) with a single app. Users can search for routes, make reservations, purchase tickets, and use the service from the point of departure to boarding public transportation, and from public transportation drop-off to the destination, including the means of transportation.

5) Rachet up investment into human resources to sharpen skills and promote diversity

Aiming at added value improvements, the Company will continue its aggressive recruiting efforts, including improved compensation and training investments, as well as career recruiting.

We are promoting initiatives such as creating an environment and organizational culture where diverse individuals can thrive, promoting next-generation work-style reforms looking towards a new work environment, advancing human resource portfolio management by digitalization of our human resources database, and supporting engagement with employees and autonomous career development through the full-scale operation of HR business partners. Also, to further accelerate structural transformation, we are striving to strategically secure and foster advanced human resources in areas such as consulting, global business, and service business and will place human resources optimally.

Also, to achieve structural transformation toward the realization of the Group Vision 2026, the Group has set the promotion of solutions to social issues through co-creation with stakeholders by making full use of digital technology as a goal of the current medium-term management plan, and is focusing on increasing added value through the growth of human resources, which is the most important management capital in order to carry this forward. For some time, the Company has been promoting investment in human resources to increase employee engagement based on the three axes of the meaning of work, the working environment, and compensation. In order to further promote the reform of the meaning of work and compensation, we decided to introduce a new personnel system in April 2023 that completely revamps the compensation, evaluation, grading, and other systems. Under the compensation system, we will prioritize investments in high-level personnel and young employees who drive the business forward, with base salary increases of up to 17% and an average increase of 6%. Through the introduction of the new system, and by linking it to the enhancement of added value by encouraging high performance that exceeds expectations, we aim to accelerate corporate growth by improving corporate competitiveness.

We will continue to make Group-wide proactive investments to increase the value of human resources, and create a virtuous cycle of high added value for the Company, our employees, and society, aiming for the realization of further growth of the Group and improved corporate value, thereby creating a more prosperous society.

(2) Analysis of Financial Condition

(Assets)

Consolidated total assets as of the end of the third quarter amounted to ¥434,074 million, a decrease of ¥42,567 million from ¥476,642 million at the end of the previous fiscal year.

Current assets were ¥228,390 million, a ¥30,870 million decrease from ¥259,261 million at the end of the previous fiscal year. The decrease primarily reflects a ¥36,388 million decrease in cash and deposits.

Fixed assets totaled ¥205,684 million, a ¥11,696 million decrease from ¥217,381 million at the end of the previous fiscal year. The decrease primarily reflects a ¥7,418 million decrease in investment securities.

(Liabilities)

As of the end of the third quarter, total liabilities amounted to ¥142,840 million, a ¥30,808 million decrease from ¥173,649 million at the end of the previous fiscal year.

Current liabilities totaled ¥104,513 million, a ¥34,723 million decrease from ¥139,236 million at the end of the previous fiscal year. The decrease primarily reflects a ¥19,041 million decrease in income taxes payable and a ¥11,500 million decrease in short-term borrowings.

Fixed liabilities amounted to ¥38,327 million, a ¥3,915 million increase from ¥34,412 million at the end of the previous fiscal year. The increase primarily reflects a ¥2,651 million increase in long-term debt.

(Net assets)

Consolidated total net assets as of the end of the third quarter came to ¥291,233 million, a decrease of ¥11,759 million from ¥302,993 million at the end of the previous fiscal year. This was mainly due to an increase in treasury stock of ¥29,157 million (net assets decreased) and an increase in retained earnings of ¥20,702 million yen as a result of net income attributable to owners of the parent company and dividends from surplus.

(3) Consolidated Earnings Forecast and Caution on Forward-Looking Statements

An extraordinary income of approximately ¥12.8 billion is projected to be recorded in the fourth quarter of fiscal 2023 as a result of the decision to sell cross-shareholdings. In addition, The Company has revised its consolidated financial forecast for the full fiscal year ending March 31, 2023, announced on November 2, 2022, as follows. This is in light of the impact of an extraordinary income (gain on sale of investment securities) of approximately ¥4.3 billion recorded in the third quarter of fiscal 2023 and an extraordinary income (gain on sale of shares of subsidiaries) of approximately ¥2.4 billion from the transfer of shares in a consolidated subsidiary of MFEC Public Company Limited (MFEC), an overseas subsidiary of the Company, which is scheduled to be recorded in the fourth quarter as part of the efforts to accelerate the business restructuring of MFEC. No revisions have been made to net sales, operating income, and recurring profit at this time, as they are generally in line with our forecast announced on November 2, 2022. While closely monitoring the impact of infectious diseases and fluctuations in the financial and capital markets, we will continue to invest in human capital and other resources that will contribute to business expansion and future growth by accurately responding to customers' demand for digital transformation, while aiming to further improve profitability by providing high added value businesses and promoting productivity and quality enhancement measures, etc.

(Unit: millions of yen)

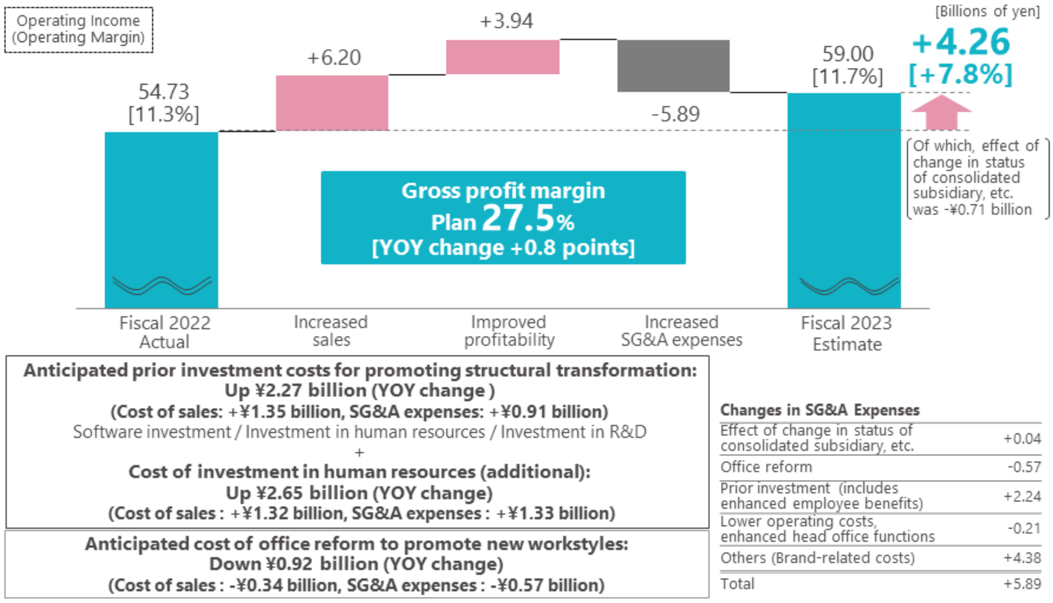
	Previously released forecast (A)	Current released forecast (B)	Increase /decrease (B - A)	Ratio of increase /decrease (%)
Net sales	505,000	505,000	—	—
Cost of sales	366,000	366,000	—	—
Gross profit	139,000	139,000	—	—
Gross profit ratio	27.5%	27.5%	—	—
Selling, general and administrative expenses	80,000	80,000	—	—
Operating income	59,000	59,000	—	—
Operating income ratio	11.7%	11.7%	—	—
Recurring profit	60,500	60,500	—	—
Net income attributable to owners of the parent company	39,800	52,000	+12,200	+30.7%

A comparison of the latest full-fiscal year consolidated earnings forecast with the results of the previous fiscal year is as follows.

(Unit: millions of yen)

	Fiscal 2022 Actual results	Fiscal 2023 Forecast	Year-on-year change
Net sales	482,547	505,000	+4.7%
Cost of sales	353,699	366,000	+3.5%
Gross profit	128,848	139,000	+7.9%
Gross profit ratio	26.7%	27.5%	+0.8P
Selling, general and administrative expenses	74,108	80,000	+7.9%
Operating income	54,739	59,000	+7.8%
Operating income ratio	11.3%	11.7%	+0.4P
Recurring profit	55,710	60,500	+8.6%
Net income attributable to owners of the parent company	39,462	52,000	+31.8%

＜Analysis of key factors in the increase/decrease in operating income (forecast, year-on-year change)>



<By segment>

(Unit: millions of yen)

		Fiscal 2022 Actual results	Fiscal 2023 Forecast	Year-on-year change
Offering Service Business	Net sales	103,167	109,000	+5.7%
	Operating income	4,692	6,000	+27.9%
	Operating income ratio	4.5%	5.5%	+1.0P
Business Process Management	Net sales	42,951	44,000	+2.4%
	Operating income	4,991	5,300	+6.2%
	Operating income ratio	11.6%	12.0%	+0.4P
Financial IT Business	Net sales	91,651	98,500	+7.5%
	Operating income	12,355	12,700	+2.8%
	Operating income ratio	13.5%	12.9%	-0.6P
Industrial IT Business	Net sales	108,751	111,900	+2.9%
	Operating income	15,356	16,700	+8.7%
	Operating income ratio	14.1%	14.9%	+0.8P
Regional IT Solutions	Net sales	156,231	158,800	+1.6%
	Operating income	16,492	18,200	+10.4%
	Operating income ratio	10.6%	11.5%	+0.9P
Other	Net sales	6,369	9,400	+47.6%
	Operating income	770	700	-9.2%
	Operating income ratio	12.1%	7.4%	-4.7P

The Company's medium-term management plan (2021-2023) includes a basic shareholder return policy that targets a total return ratio of 45%. Also, in order to increase the distribution of profits to shareholders in accordance with business growth in a sustained manner, the Company believes it is desirable to base shareholder returns on profits derived from operating activities, as they are not affected by one-time gains or losses.

As mentioned above, as of the date of this report, we have raised our forecast for net income attributable to owners of the parent company, but this reflects only one-time gains in the form of a gain on the sale of investment securities, and a gain on the sales of shares of subsidiaries. Income, which is not affected by one-time gains or losses, has been generally in line with the forecast announced on November 2, 2022. The total return ratio calculated based on this forecast, the current dividend forecast, and the equivalent of approximately ¥5.5 billion of treasury stock already acquired for the purpose of returning profits to shareholders is expected to be 44.5%, so the annual dividend forecast for fiscal 2023 of ¥47 per share (including a year-end dividend of ¥32 per share) remains unchanged.

Note: Total return ratio: The ratio of the combined value of dividend payments and share buybacks versus net income attributable to owners of the parent company

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Items	As of March 31, 2022	As of Dec. 31, 2022
	millions of yen	millions of yen
Assets		
Current assets		
Cash and deposits	114,194	77,806
Notes and accounts receivable, and contract assets	111,361	111,506
Lease receivables and lease investment assets	4,014	3,933
Marketable securities	298	227
Merchandise and finished goods	1,454	3,907
Work in process	1,360	1,566
Raw materials and supplies	217	197
Other current assets	26,668	29,743
Allowance for doubtful accounts	(308)	(499)
Total current assets	259,261	228,390
Fixed assets		
Property and equipment		
Buildings and structures, net	35,471	33,850
Machinery and equipment, net	9,636	8,479
Land	9,675	9,667
Leased assets, net	3,723	4,032
Other property and equipment, net	6,882	6,557
Total property and equipment	65,389	62,587
Intangible assets		
Software	14,231	22,666
Software in progress	12,255	3,306
Goodwill	770	732
Other intangible assets	1,493	1,395
Total intangible assets	28,750	28,099
Investments and other assets		
Investment securities	76,823	69,405
Net defined benefit asset	6,656	6,987
Deferred tax assets	17,313	15,395
Other assets	25,266	25,982
Allowance for doubtful accounts	(2,820)	(2,775)
Total investments and other assets	123,241	114,996
Total fixed assets	217,381	205,684
Total assets	476,642	434,074

Items	As of March 31, 2022	As of Dec. 31, 2022
	millions of yen	millions of yen
Liabilities		
Current liabilities		
Notes and accounts payable	22,475	22,380
Short-term borrowings	35,229	23,729
Income taxes payable	21,864	2,822
Accrued bonuses to directors and employees	15,840	7,901
Provision for loss on order received	1,092	426
Other allowances	140	159
Other current liabilities	42,593	47,093
Total current liabilities	139,236	104,513
Non-current liabilities		
Long-term debt	2,213	4,864
Lease obligations	3,554	3,749
Deferred tax liabilities	395	884
Deferred tax liabilities from revaluation of land	272	272
Accrued retirement benefits to directors	0	0
Other allowances	208	191
Net defined benefit liability	12,534	12,639
Asset retirement obligations	6,992	6,956
Other non-current liabilities	8,240	8,767
Total non-current liabilities	34,412	38,327
Total liabilities	173,649	142,840
Net assets		
Shareholders' equity		
Common stock	10,001	10,001
Additional paid-in capital	64,960	64,969
Retained earnings	203,256	223,959
Less treasury stock, at cost	(3,117)	(32,275)
Total shareholders' equity	275,100	266,654
Accumulated other comprehensive income		
Net unrealized gains on other securities	20,990	15,953
Deferred gains or losses on hedges	(4)	24
Revaluation reserve for land	(2,672)	(2,672)
Foreign currency translation adjustments	(70)	922
Remeasurements of defined benefit plans	(219)	(18)
Total accumulated other comprehensive income	18,024	14,209
Non-controlling interests	9,867	10,370
Total net assets	302,993	291,233
Total liabilities and net assets	476,642	434,074

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

Items	First Three Qtrs., FY2022 (Apr. 1 – Dec. 31, 2021)	First Three Qtrs., FY2023 (Apr. 1 – Dec. 31, 2022)
	millions of yen	millions of yen
Net sales	353,133	370,382
Cost of sales	261,184	268,650
Gross profit	91,948	101,732
Selling, general and administrative expenses	53,690	57,287
Operating income	38,258	44,444
Non-operating income		
Interest income	325	345
Dividend income	801	765
Other	793	630
Total non-operating income	1,920	1,741
Non-operating expense		
Interest expenses	245	174
Equity in losses of affiliated companies	910	333
Other	192	208
Total non-operating expenses	1,348	716
Recurring profit	38,830	45,470
Extraordinary income		
Gain on sales of investment securities	494	4,639
Gain on sales of shares of subsidiaries	6,362	–
Other	5	54
Total extraordinary income	6,862	4,694
Extraordinary loss		
Loss on disposal of fixed assets	311	62
Loss on valuation of investment securities	136	309
Impairment loss	758	697
Other	81	43
Total extraordinary loss	1,287	1,113
Income before income taxes	44,404	49,051
Income taxes: current	10,065	11,150
Income taxes: deferred	3,861	4,513
Total income taxes	13,926	15,664
Net income	30,478	33,386
Net income attributable to non-controlling interests	1,064	1,228
Net income attributable to owners of the parent company	29,414	32,158

Consolidated Statements of Comprehensive Income

Items	First Three Qtrs., FY2022 (Apr. 1 – Dec. 31, 2021)	First Three Qtrs., FY2023 (Apr. 1 – Dec. 31, 2022)
	millions of yen	millions of yen
Net income	30,478	33,386
Other comprehensive income		
Net unrealized gains on other securities	14,277	(5,038)
Deferred gains or losses on hedge	32	59
Foreign currency translation adjustments	(214)	897
Remeasurements of defined benefit plans	207	203
Share of other comprehensive income of equity-method affiliates	312	370
Total other comprehensive income	14,615	(3,507)
Comprehensive income	45,093	29,879
(Composition)		
Comprehensive income attributable to owners of the parent company	44,092	28,342
Comprehensive income attributable to non-controlling interests	1,001	1,536

(3) Notes on the Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

(Notes on Significant Changes in the Amount of Shareholders' Equity)

TIS Inc. acquired 8,223,000 shares of its treasury stock in accordance with the resolution at the Board of Directors' Meeting held on May 11, 2022. Due to this acquisition and other events, treasury stock increased by ¥30,004 million during the first three quarters of FY2023 and amounted to ¥32,275 million at the end of the third quarter of FY2023.

The acquisition of treasury stock based on the resolution of the Board of Directors' Meeting completed with the contracted acquisition on December 19, 2022.

(Significant Subsequent Events)

(Sale of subsidiary shares)

The Board of Directors of MFEC Public Company Limited (MFEC), a consolidated subsidiary of the Company, resolved on December 1, 2022, to sell 499,998 shares of Vulcan Digital Delivery Co., Ltd. (VDD), a consolidated subsidiary of MFEC, to Bluebik Group Public Company Limited (BBIK) and concluded a share transfer agreement on December 22, 2022.

The 499,998 shares are scheduled to be sold during March 2023, following approval of the transaction at the Extraordinary General Meeting of Shareholders to be held on February 13, 2023 at BBIK. With this transaction, VDD will be excluded from the Company's scope of consolidation in the fourth quarter.

1) Reason for the sale of shares

MFEC is a leading player in providing enterprise IT solutions in Thailand, and is listed on the Stock Exchange of Thailand. The decision for this share transfer was made as part of MFEC's efforts to accelerate the achievement of structural changes in its business operations.

2) Name of counterparty to sale

Bluebik Group Public Company Limited

3) Date of sale

March 2023 (scheduled)

4) Name of subsidiary, business activities, and details of transactions with the Company

Name: Vulcan Digital Delivery Co., Ltd.

Business activities: IT services and system integration

Details of transactions with the Company: none

5) Number of shares to be sold, sale value, gain/loss on the sale, and percentage of ownership after the sale

Number of shares to be sold: 499,998

Sale price: ¥2,625 million (691 million Thai baht)

Gain/loss on sale: The Company expects to post extraordinary income of ¥2,435 million (641 million Thai baht) as gain on the sale of subsidiary shares in the fourth quarter.

Percentage of ownership after the sale: -%

*Yen amounts are converted at the rate as of the end of December 2022 (1 Thai baht = 3.8 yen).

(Retirement of treasury stock)

At a meeting of the Board of Directors held on February 3, 2023, the Company resolved to retire treasury stock based on Article 178 of the Companies Act of Japan, as follows.

1) Reason for retirement

In principle, the Company retains treasury stock up to 5% of the total number of shares outstanding, and retires treasury stock held in excess of 5% of the total number of shares outstanding.

The Company purchased a total of approximately ¥30 billion of treasury stock in the first nine months of fiscal 2023, of which the Company plans to follow this policy with respect to treasury stock (equivalent to approximately ¥5.5 billion) acquired from the standpoint of returns to shareholders.

Conversely, as part of the Company’s efforts to optimize its capital structure, the Company acquired treasury stock (equivalent to approximately ¥24.5 billion). In consideration of the Company's policy and to eliminate concerns about future dilution of shares, the Company plans to retire the treasury stock from the outset, and this retirement will be conducted as planned.

2) Method of retirement

Reduction from other additional paid-in capital

3) Type of shares to be retired

Common stock

4) Number of shares to be retired

6,715,483 shares

(Percentage of total shares outstanding before retirement 2.7%)

5) Scheduled retirement date

February 28, 2023 (scheduled)

6) Total number of shares outstanding after retirement

244,445,411shares

(Sales of investment securities)

The Company’s Board of Directors resolved on February 3, 2023 to sell a portion of the owned cross-shareholdings, and the Company expects to record a gain on sales of investment securities (extraordinary income) on sale of investment securities in the fourth quarter of fiscal 2023.

1) Reason for sales of investment securities

This sale is part of the Company's efforts to improve asset efficiency and financial strength.

The Company is making efforts to reduce its cross-shareholdings with the goal of reducing the ratio of the value of its cross-shareholdings to consolidated net assets on the consolidated balance sheet to the 10% level. This sale is positioned as a contribution to the early realization of that goal.

2) Details of sales of investment securities

Shares Sold: Two listed securities held by the Company

Scheduled date of sale February 3, 2023

Gain on sale 12.8 billion yen (estimate)

3. Other Information

INTEC Inc., a consolidated subsidiary of the Company, is currently in litigation with Mitsubishi Shokuhin Co., Ltd., which filed a claim for compensation in connection with services including systems development provided by INTEC Inc. (Amount of compensation demanded: 12,703 million yen; date the complaint was received: December 17, 2018).